



POWER  
CORPORATION  
OF CANADA

# NEWS RELEASE

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FOR IMMEDIATE RELEASE

## THIRD QUARTER OPERATING EARNINGS INCREASE 16 PER CENT

Winnipeg, Manitoba, November 26, 2003 -- Power Corporation of Canada reported operating earnings for the quarter ended September 30, 2003 of \$202 million or \$0.87 per participating share, compared with \$172 million or \$0.75 per share for the same period in 2002. This represents a 16 per cent increase on a per share basis.

The contribution from subsidiaries to operating earnings increased by 17 per cent in the quarter compared with the same period in 2002, primarily reflecting growth in the operating earnings of Power Financial Corporation as discussed later in this release.

Other income was \$478 million or \$2.15 per participating share for the third quarter of 2003, compared with a charge of \$42 million or \$0.19 per share in the corresponding period last year. Other income in 2003 consisted primarily of the Corporation's share of other income of Power Financial, which included a significant dilution gain in connection with the acquisition of Canada Life Financial Corporation by Great-West Lifeco Inc., as well as other items of a non-recurring nature recorded by Power Corporation.



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Net earnings, including other income, for the quarter ended September 30, 2003, were \$680 million or \$3.02 per participating share, compared with \$130 million or \$0.56 per share for the same period in 2002.

#### **NINE-MONTH RESULTS**

Operating earnings for the nine-month period ended September 30, 2003 were \$595 million or \$2.57 per participating share, compared with \$539 million or \$2.36 per share for the same period in 2002, mainly as a result of Power Corporation's share of operating earnings from its subsidiaries which increased by \$53 million or 10 per cent over the period.

Other income was \$472 million or \$2.13 per participating share for the nine-month period, consisting primarily of the Corporation's share of other income recorded by Power Financial. In the corresponding period of 2002, other income was a charge of \$43 million or \$0.20 per share.

As a result, net earnings were \$1,067 million or \$4.70 per participating share for the nine-month period of 2003, compared with \$496 million or \$2.16 per share in 2002.

#### **RESULTS OF POWER FINANCIAL CORPORATION**

Power Financial Corporation's operating earnings for the third quarter ended September 30, 2003 were \$319 million or \$0.87 per common share, compared with \$272 million or \$0.75 per share for the same period in 2002. This represents a 16 per cent increase on a per share basis.



Contribution from subsidiaries and affiliate to operating earnings increased by 21 per cent in the third quarter compared with the same period in 2002. The increase reflects significant growth in the share of earnings from Great-West Lifeco, whose results include the results of Canada Life beginning on July 10th, because of both an increase in earnings before restructuring costs at Lifeco, and the acquisition of additional shares of Lifeco by Power Financial and by Investors Group Inc. in the course of the Canada Life acquisition.

Other income was \$808 million or \$2.32 per share for the third quarter in 2003, compared with a charge of \$62 million or \$0.18 per share in the corresponding period last year. Other income in 2003 consisted primarily of a net dilution gain of \$888 million recorded in the quarter by Power Financial in connection with the acquisition of Canada Life by Lifeco. Also included in other income are Power Financial's share of restructuring costs expensed by Lifeco in the quarter, as well as Power Financial's share of net non-operating earnings related to Pargesa Holding S.A. and other items of a non-recurring nature.

Net earnings, including other income, for the quarter ended September 30, 2003, were \$1,127 million or \$3.19 per share, compared with \$210 million or \$0.57 per share for the same period in 2002.

Operating earnings of Power Financial for the nine-month period ended September 30, 2003 were \$907 million or \$2.46 per share, compared with \$806 million or \$2.23 per share for the same period in 2002, mainly as a result of Power Financial's share of operating earnings from its subsidiaries and affiliate which increased by \$108 million or 13 per cent over the period.



Other income was \$798 million or \$2.30 per share for the nine-month period, and consisted primarily of the net dilution gain recorded in the third quarter in connection with the acquisition of Canada Life by Lifeco. In the corresponding period of 2002, other income was a charge of \$62 million or \$0.18 per share.

As a result, net earnings of Power Financial were \$1,705 million or \$4.76 per share for the nine-month period of 2003, compared with \$744 million or \$2.05 per share in 2002.

### **DIVIDENDS**

The Board of Directors today declared a dividend on the First Preferred Shares, 1986 Series, payable January 15, 2004 to shareholders of record December 23, 2003 in an amount per share to be determined in accordance with the Articles of Continuance of the Corporation.

A dividend of 35 cents per share was declared on the First Preferred Shares, Series A, payable January 15, 2004 to shareholders of record December 23, 2003.

A dividend of 33.4375 cents per share was declared on the First Preferred Shares, Series B, payable January 15, 2004 to shareholders of record December 23, 2003.

A dividend of 36.25 cents per share was declared on the First Preferred Shares, Series C, payable January 15, 2004 to shareholders of record December 23, 2003.



A dividend of 24.375 cents per share was declared on the Participating Preferred and on the Subordinate Voting Shares, payable December 31, 2003 to shareholders of record December 10, 2003

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Attachments: Financial Information (unaudited)

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POWER CORPORATION OF CANADA

CONSOLIDATED BALANCE SHEETS

<i>(in millions of dollars)</i>	September 30 2003 (unaudited)	December 31 2002
<b>ASSETS</b>		
Cash and cash equivalents	5,075	3,001
Investments		
Shares	3,764	2,349
Bonds	54,723	33,766
Mortgages and other loans	15,707	8,399
Loans to policyholders	6,605	6,177
Real estate	1,652	1,270
	82,451	51,961
Investment in affiliates, at equity	1,512	1,562
Goodwill and intangible assets (Note 2)	9,990	5,206
Future income taxes	500	402
Other assets	9,190	8,004
	108,718	70,136
<b>LIABILITIES</b>		
Policy liabilities		
Actuarial liabilities	68,137	44,508
Other	4,807	3,788
Deposits and certificates	714	709
Funds held under reinsurance contracts (Note 10)	4,735	-
Long-term debt (Note 3)	3,692	2,393
Future income taxes	496	553
Other liabilities	9,663	5,237
	92,244	57,188
Non-controlling interests	10,495	7,561
<b>SHAREHOLDERS' EQUITY</b>		
Stated capital (Note 4)		
Non-participating shares	550	553
Participating shares	374	369
Retained earnings	5,010	4,126
Foreign currency translation adjustments	45	339
	5,979	5,387
	108,718	70,136



POWER CORPORATION OF CANADA

CONSOLIDATED STATEMENTS OF EARNINGS  
(unaudited)

(in millions of dollars, except per share amounts)	For the three months ended September 30		For the nine months ended September 30	
	2003	2002	2003	2002
<b>REVENUES</b>				
Premium income (Note 10)	(2,365)	3,110	3,253	8,307
Net investment income	1,389	932	3,384	2,902
Fees and media income	1,002	950	2,832	2,993
	26	4,992	9,469	14,202
<b>EXPENSES</b>				
Paid or credited to policyholders and beneficiaries including policyholder dividends and experience refunds (Note 10)	(2,059)	3,522	4,222	9,434
Commissions and operating expenses	1,289	938	3,201	3,015
Interest expense	61	40	158	126
	(709)	4,500	7,581	12,575
	735	492	1,888	1,627
Share of earnings of affiliates	13	14	59	60
Other income (charges), net (Note 6)	739	(64)	729	(66)
Earnings before income taxes and non-controlling interests	1,487	442	2,676	1,621
Income taxes	224	137	565	538
Non-controlling interests	583	175	1,044	587
Net earnings	680	130	1,067	496
<b>Earnings per participating share (Note 7)</b>				
Basic	3.02	0.56	4.70	2.16
Diluted	2.97	0.55	4.62	2.13



POWER CORPORATION OF CANADA

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS  
(unaudited)

<i>(in millions of dollars)</i>	For the nine months ended September 30	
	2003	2002
Retained earnings, beginning of year	4,126	3,700
<b>Add</b>		
Net earnings	1,067	496
	5,193	4,196
<b>Deduct</b>		
Dividends		
Non-participating shares	22	16
Participating shares	154	130
Other	7	3
	183	149
Retained earnings, end of period	5,010	4,047





POWER CORPORATION OF CANADA

CONSOLIDATED STATEMENTS OF CASH FLOWS  
(unaudited)

(in millions of dollars)	For the three months ended September 30		For the nine months ended September 30	
	2003	2002	2003	2002
<b>Operating activities</b>				
Net earnings	680	130	1,067	496
Non-cash charges (credits)				
Increase (decrease) in policy liabilities	(3,685)	738	(3,756)	610
Decrease (increase) in funds withheld by ceding insurers	(38)	(416)	131	(61)
Increase (decrease) in funds held under reinsurance contracts	4,735	-	4,735	-
Amortization and depreciation	52	27	99	80
Future income taxes	(69)	(61)	(80)	40
Non-controlling interests	583	175	1,044	587
Other	(982)	(558)	(518)	(1,005)
	1,276	35	2,722	747
<b>Financing activities</b>				
Dividends paid				
By subsidiaries to non-controlling interests	(128)	(89)	(324)	(260)
Non-participating shares	(7)	(5)	(21)	(14)
Participating shares	(54)	(46)	(154)	(131)
	(189)	(140)	(499)	(405)
Issue of subordinate voting shares	2	1	5	11
Repurchase of non-participating shares for cancellation	(1)	-	(3)	-
Issue of common shares by subsidiaries	126	1	145	19
Issue of preferred shares by subsidiaries	-	150	350	150
Repurchase of preferred shares by subsidiaries	(102)	-	(252)	-
Repurchase of common shares by subsidiaries	(33)	(54)	(89)	(130)
Net proceeds from bankers' acceptances	-	-	-	(256)
Issue (repayment) of commercial paper and other loans	986	(50)	983	(58)
Issue of long-term debt	-	-	1,150	-
Repayment of long-term debt	(128)	(42)	(403)	(67)
Other	102	-	113	27
	763	(134)	1,500	(709)
<b>Investment activities</b>				
Bond sales and maturities	11,852	5,456	26,688	15,944
Mortgage loan repayments	676	405	1,317	1,272
Sale of shares	318	204	685	416
Proceeds from securitization	-	-	52	-
Change in loans to policyholders	(381)	238	(454)	68
Change in repurchase agreements	663	(55)	466	47
Investment in Canada Life Financial Corporation	(1,862)	-	(1,862)	-
Investment in subsidiaries	153	-	(7)	-
Investment in bonds	(10,993)	(5,112)	(27,419)	(15,791)
Investment in mortgage loans	(1,072)	(363)	(1,447)	(1,056)
Investment in shares	(209)	(96)	(574)	(558)
Other	266	84	407	208
	(589)	761	(2,148)	550
Increase in cash and cash equivalents	1,450	662	2,074	588
Cash and cash equivalents, beginning of period	3,625	2,516	3,001	2,590
Cash and cash equivalents, end of period	5,075	3,178	5,075	3,178



**POWER CORPORATION OF CANADA**

**Notes to consolidated financial statements**  
(unaudited)

**September 30, 2003**

**Note 1. Significant accounting policies**

The interim unaudited consolidated financial statements of Power Corporation of Canada at September 30, 2003 have been prepared in accordance with generally accepted accounting principles in Canada, using the accounting policies described in Note 1 of the Corporation's consolidated financial statements for the year ended December 31, 2002, except as noted below. These interim consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto in the Corporation's annual report dated December 31, 2002.

**Disclosure of Guarantees**

In February 2003, the CICA issued Accounting Guideline 14 (AcG-14), Disclosure of Guarantees, which identifies disclosure requirements for certain guarantees, for financial statements of interim and annual periods starting on or after January 1, 2003.

In the normal course, the Corporation and its subsidiaries may enter into agreements which may contain features which meet the AcG-14 definition of a guarantee, and while the maximum guarantee cannot always be determined, given the nature of the future events which may or may not occur, any such arrangements that were material have been previously disclosed by the Corporation and its subsidiaries.

**Accounting for costs Associated with Exit and Disposal Activities (Including Costs Incurred in a Restructuring)**

In March 2003, the CICA issued Emerging Issue Committee (EIC) Abstract EIC-135 Accounting for Costs Associated with Exit and Disposal Activities (Including Costs Incurred in a Restructuring) for restructurings initiated after March 31, 2003. The standard replaces EIC-60 Liability Recognition for Costs to Exit an Activity (Including Certain Costs Incurred in a Restructuring) and requires recognition of integration and restructuring costs in income when they are incurred. See note 9 for the impact of this abstract on the financial statements of the Corporation.

**Comparative figures**

Certain of the 2002 amounts presented for comparative purposes have been reclassified to conform with the presentation adopted in the current year.



# POWER CORPORATION OF CANADA

## Notes to consolidated financial statements (unaudited)

### Note 2. Goodwill and intangible assets

A summary of changes in the Corporation's goodwill and intangible assets for the nine months ended September 30, 2003 is as follows:

<i>(in millions of dollars)</i>	Goodwill	Intangible assets	Total
Balance, beginning of year	3,748	1,458	5,206
Acquisition of Canada Life Financial Corporation	4,678		4,678
Additional investments in subsidiaries and other	106		106
Balance, end of period	8,532	1,458	9,990

Intangible assets represent the fair value of mutual fund management contracts, trade names, brands and trademarks and the shareholders' portion of acquired future participating profits. These are, for the most part, indefinite life intangible assets and are not subject to amortization.

### Note 3. Long-term Debt

<i>(in millions of dollars)</i>	September 30 2003	December 31 2002
<b>Power Financial Corporation</b>		
7.65% debentures, due January 5, 2006	150	150
6.90% debentures, due March 11, 2033	250	-
<b>Investors Group</b>		
Floating Bankers' Acceptance, due May 30, 2006	175	450
6.75% Debentures 2001 Series, due May 9, 2011	450	450
6.58% Debentures 2003 Series, due March 7, 2018	150	-
6.65% Debentures 1997 Series, due December 13, 2027	125	125
7.45% Debentures 2001 Series, due May 9, 2031	150	150
7.00% Debentures 2002 Series, due December 31, 2032	175	175
7.11% Debentures 2003 Series, due March 7, 2033	150	-
<b>Great-West Lifeco Inc.</b>		
First mortgages secured by real estate and limited recourse mortgages at interest rates from 6.4% to 11.7% maturing at various dates to 2014	-	122
7.25% subordinated capital income securities redeemable on or after June 30, 2004, due June 30, 2048, unsecured (US\$ 175)	236	276
8.00% Subordinated Debt until 2006, and thereafter at a rate equal to the Canadian 90 day Bankers' Acceptance rate plus 1.00%, due 2011	279	-
5.80% Series 1 Subordinated Debt until 2008, and thereafter at a rate equal to the Canadian 90 day Bankers' Acceptance rate plus 1.00%, due 2013	209	-
6.40% Series 2 Subordinated Debt due 2028	101	-
6.75% debentures due August 10, 2015, unsecured	200	200
6.14% debentures due March 21, 2018, unsecured	200	-
6.74% debentures due November 24, 2031, unsecured	200	200
6.67% debentures due March 21, 2033, unsecured	400	-
Other notes payable at interest rates from 8.0% to 9.0%	12	15
<b>Other</b>		
Bank loan at prime plus a premium varying between 0.625% and 2.750%	80	80
	3,692	2,393



POWER CORPORATION OF CANADA

Notes to consolidated financial statements  
(unaudited)

**Note 4. Capital stock and Stock option plan**

**Stated Capital**

<i>(in millions of dollars)</i>	September 30 2003	December 31 2002
<b>Non-participating shares</b>		
Cumulative Redeemable First Preferred Shares, 1986 Series		
Authorized - Unlimited number of shares		
Issued - 999,878 (2002 - 1,059,878) shares	50	53
Series A First Preferred Shares		
Authorized and issued - 6,000,000 shares	150	150
Series B First Preferred Shares		
Authorized and issued - 8,000,000 shares	200	200
Series C First Preferred Shares		
Authorized and issued - 6,000,000 shares	150	150
	<b>550</b>	<b>553</b>
<b>Participating shares</b>		
Participating Preferred Shares		
Authorized - Unlimited number of shares		
Issued - 24,427,386 shares	27	27
Subordinate Voting Shares		
Authorized - Unlimited number of shares		
Issued - 198,179,522 (2002 - 197,704,052) shares	347	342
	<b>374</b>	<b>369</b>

**Stock-Based Compensation**

As permitted by the CICA Handbook Section 3870 - Stock-based Compensation and Other Stock-based Payments, the Corporation has chosen to continue to account for stock-based compensation using the intrinsic value method. When the fair value-based method of accounting is not used for stock-based transactions with employees, pro-forma net income and pro-forma earnings per share must be disclosed as if the fair value-based method of accounting had been used to account for stock-based compensation cost.

Although the Corporation did not grant stock options during the nine-month period ended September 30, 2003 (no options were granted in 2002), stock options were granted by subsidiaries. Had the fair value based accounting method been applied to options granted in the period, net earnings would have been reduced by less than \$2 million (less than \$1 million in 2002) and earnings per participating share would have been reduced by less than \$0.01 (less than \$0.01 in 2002).

Options were outstanding at September 30, 2003 to purchase, until October 21, 2011, 8,711,630 subordinate voting shares at various prices from \$9.15625 to \$35.325 per share.



POWER CORPORATION OF CANADA

Notes to consolidated financial statements  
(unaudited)

**Note 5. Segmented information**

**Information on profit measure**

For the three months ended September 30, 2003	LIFECO	INVESTORS	PARJOINTCO	OTHER	TOTAL
<i>(in millions of dollars)</i>					
<b>REVENUES</b>					
Premium income	(2,365)	-	-	-	(2,365)
Net investment income	1,316	42	-	31	1,389
Fees and media income	498	433	-	71	1,002
	(551)	475	-	102	26
<b>EXPENSES</b>					
Insurance claims	(2,059)	-	-	-	(2,059)
Commissions, other operating expenses	958	239	-	92	1,289
Interest expense	-	20	-	41	61
	(1,101)	259	-	133	(709)
	550	216	-	(31)	735
Share of earnings of affiliates			13	-	13
Other income - net	(21)	15	32	713	739
Earnings before the following	529	231	45	682	1,487
Income taxes	155	70	-	(1)	224
Non-controlling interests	221	101	15	246	583
Contribution to consolidated net earnings	153	60	30	437	680

**Information on profit measure**

For the three months ended September 30, 2002	LIFECO	INVESTORS	PARJOINTCO	OTHER	TOTAL
<i>(in millions of dollars)</i>					
<b>REVENUES</b>					
Premium income	3,110	-	-	-	3,110
Net investment income	878	33	-	21	932
Fees and media income	441	442	-	67	950
	4,429	475	-	88	4,992
<b>EXPENSES</b>					
Insurance claims	3,522	-	-	-	3,522
Commissions, other operating expenses	610	245	-	83	938
Interest expense	-	20	-	20	40
	4,132	265	-	103	4,500
	297	210	-	(15)	492
Share of earnings of affiliates			14	-	14
Other income - net		(2)	(62)	-	(64)
Earnings before the following	297	208	(48)	(15)	442
Income taxes	60	78	-	(1)	137
Non-controlling interests	112	81	(16)	(2)	175
Contribution to consolidated net earnings	125	49	(32)	(12)	130



POWER CORPORATION OF CANADA

Notes to consolidated financial statements  
(unaudited)

**Note 5. Segmented information**

**Information on profit measure**

For the nine months ended September 30, 2003	LIFECO	INVESTORS	PARJOINTCO	OTHER	TOTAL
<i>(in millions of dollars)</i>					
<b>REVENUES</b>					
Premium income	3,253	-	-	-	3,253
Net investment income	3,167	122	-	95	3,384
Fees and media income	1,330	1,268	-	234	2,832
	7,750	1,390	-	329	9,469
<b>EXPENSES</b>					
Insurance claims	4,222	-	-	-	4,222
Commissions, other operating expenses	2,194	723	-	284	3,201
Interest expense	-	62	-	96	158
	6,416	785	-	380	7,581
	1,334	605	-	(51)	1,888
Share of earnings of affiliates			59	-	59
Other income - net	(21)	15	22	713	729
Earnings before the following	1,313	620	81	662	2,676
Income taxes	376	200	-	(11)	565
Non-controlling interests	515	262	27	240	1,044
Contribution to consolidated net earnings	422	158	54	433	1,067

**Information on profit measure**

For the nine months ended September 30, 2002	LIFECO	INVESTORS	PARJOINTCO	OTHER	TOTAL
<i>(in millions of dollars)</i>					
<b>REVENUES</b>					
Premium income	8,307	-	-	-	8,307
Net investment income	2,704	93	-	105	2,902
Fees and media income	1,379	1,382	-	232	2,993
	12,390	1,475	-	337	14,202
<b>EXPENSES</b>					
Insurance claims	9,434	-	-	-	9,434
Commissions, other operating expenses	1,952	786	-	277	3,015
Interest expense	-	60	-	66	126
	11,386	846	-	343	12,575
	1,004	629	-	(6)	1,627
Share of earnings of affiliates			60	-	60
Other income - net	-	(2)	(62)	(2)	(66)
Earnings before the following	1,004	627	(2)	(8)	1,621
Income taxes	283	240	-	15	538
Non-controlling interests	359	239	(1)	(10)	587
Contribution to consolidated net earnings	362	148	(1)	(13)	496



POWER CORPORATION OF CANADA

Notes to consolidated financial statements  
(unaudited)

**Note 6. Other income (charges), net**

<i>(in millions of dollars)</i>	For the three months ended September 30		For the nine months ended September 30	
	2003	2002	2003	2002
Share of Pargesa's non-operating earnings	32	(62)	22	(62)
Gain resulting from dilution of Power Financial Corporation's interest in Lifeco	894		894	
Restructuring charges	(21)		(21)	
Other	(166)	(2)	(166)	(4)
	739	(64)	729	(66)

**Note 7. Earnings per share**

The following is a reconciliation of the numerators and the denominators of the basic and diluted earnings per participating share computations:

For the three months ended September 30 <i>(in millions of dollars)</i>		2003	2002
Net earnings		680	130
Dividends on non-participating shares		(8)	(5)
Net earnings available to participating shareholders		672	125
Weighted number of participating shares outstanding <i>(millions)</i>			
Basic		222.5	222.1
Exercise of stock options		8.7	9.2
Shares assumed to be repurchased with proceeds from exercise of stock options		(4.7)	(5.3)
Weighted number of participating shares outstanding (denominator) <i>(millions)</i>			
Diluted		226.5	226.0
For the nine months ended September 30 <i>(in millions of dollars)</i>		2003	2002
Net earnings		1,067	496
Dividends on non-participating shares		(22)	(16)
Net earnings available to participating shareholders		1,045	480
Weighted number of participating shares outstanding <i>(millions)</i>			
Basic		222.3	221.8
Exercise of stock options		8.7	9.2
Shares assumed to be repurchased with proceeds from exercise of stock options		(5.0)	(5.2)
Weighted number of participating shares outstanding (denominator) <i>(millions)</i>			
Diluted		226.0	225.8



**POWER CORPORATION OF CANADA**

**Notes to consolidated financial statements**  
(unaudited)

**Note 8. Acquisition of Canada Life Financial Corporation (CLFC)**

On July 10, 2003, Great-West Lifeco Inc. (Lifeco) acquired all of the outstanding common shares of CLFC, the parent company of the Canada Life Assurance Company (Canada Life), that were not already beneficially owned by Lifeco at a price of \$44.50 per CLFC common share, representing an aggregate transaction value of \$7.2 billion, including estimated transaction costs.

The acquisition was completed by way of a capital reorganization of CLFC pursuant to which CLFC shareholders received as consideration one of the following alternatives for each of their CLFC common shares:

- \$44.50 in cash (to an aggregate maximum of approximately \$4.4 billion); or
- 1.78 Lifeco 4.80% Non-Cumulative First Preferred Shares, Series E (to an aggregate maximum of 24 million Lifeco Series E Shares); or
- 1.78 Lifeco 5.90% Non-Cumulative First Preferred Shares, Series F (to an aggregate maximum of 8 million Lifeco Series F Shares); or
- 1.1849 Lifeco common shares (to an aggregate maximum of approximately 56 million Lifeco common shares); or
- any combination of the foregoing;

in each case subject to election and proration as a result of the stated maximums.

After election and proration, Lifeco issued 55,958,505 common shares at a price of \$37.556 per common share which represents the weighted-average trading price of Lifeco common shares on the last five trading days prior to February 17, 2003, the effective date of the transaction agreement. Lifeco also issued 23,868,131 Lifeco 4.80% Non-Cumulative First Preferred Shares, Series E and 7,957,006 Lifeco 5.90% Non-Cumulative First Preferred Shares, Series F, both at a price of \$25.00 per preferred share. The 607,712 common shares of CLFC that were beneficially owned by Lifeco had a carrying value of \$21 million on the date of acquisition.

Vested stock options on 2,766,834 CLFC common shares, outstanding at acquisition were exchanged for an equivalent number of Lifeco stock options on 3,278,421 Lifeco common shares at exercise prices based on a value of \$37.556 for each Lifeco common share and \$44.50 for each CLFC common share. These options immediately vested and had an expiry date of August 25, 2003 and were essentially all exercised between July 10 and August 25, 2003.

On July 10, 2003, to support the financing of the transaction, Power Financial Corporation invested \$800 million to purchase 21,301,523 common shares of Lifeco from treasury via private placement. Investors Group Inc. has also invested \$100 million by purchasing 2,662,690 Lifeco common shares from treasury via private placement.

Lifeco also entered into an arrangement with a Canadian chartered bank (the "Bank") pursuant to which the Bank agreed to underwrite a credit facility in favour of Lifeco or one or more of its subsidiaries. The credit facility provides a one year bank facility of up to \$1,400 million and also up to \$600 million of five year term financing. The five year term financing is syndicated to a group of international financial institutions. The balances of these facilities on September 30, 2003 were \$394 million and \$600 million respectively.





POWER CORPORATION OF CANADA

Notes to consolidated financial statements  
(unaudited)

**Note 8. Acquisition of Canada Life Financial Corporation (CLFC) (Con't)**

The allocation of the purchase price is summarized as follows:

	<i>(in millions of dollars)</i>
Value of assets acquired:	
Cash and certificates on deposit	2,393
Bonds	22,600
Mortgage loans	7,398
Stocks	1,451
Real estate	1,014
Loans to policyholders	1,055
Other invested assets	456
Other assets	1,686
	<u>38,053</u>
Value of liabilities assumed:	
Policy liabilities	31,469
Commercial paper and other loans	592
Income taxes payable	113
Net deferred gains on portfolio investments sold	1,174
Other liabilities	1,502
Non-controlling interests	492
Participating policyholder surplus	43
Preferred shares	162
	<u>35,547</u>
Fair value of net assets acquired	<u>2,506</u>
Total purchase consideration:	
Cash	4,219
Lifeco common shares	2,102
Lifeco 4.80% Preferred Shares, Series E	597
Lifeco 5.90% Preferred Shares, Series F	199
Fair value of Lifeco options exchanged for CLFC options	10
Value of CLFC common shares already owned	21
Transaction and related costs (estimated), net of income taxes	36
	<u>7,184</u>
Goodwill and intangible assets on acquisition	<u>4,678</u>

The amounts assigned to the assets acquired and liabilities assumed and associated goodwill and intangible assets may be adjusted when the allocation process has been finalized. Included in other liabilities are accruals for CLFC restructuring costs of \$250 million for the elimination of duplicate systems, consolidation of operations, staff reductions, employee relocation and closure of facilities (see note 9).

Results of CLFC are included in the Consolidated statement of earnings from the date of acquisition. Canada Life offers insurance and other protection and wealth management products and services to individuals and groups, including reinsurance services, primarily in Canada, the United States, the United Kingdom and the Republic of Ireland, and in several other jurisdictions.



POWER CORPORATION OF CANADA

Notes to consolidated financial statements  
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**Note 9. Restructuring costs**

Following the acquisition of CLFC on July 10, 2003, Lifeco developed a plan to restructure and integrate the operations of CLFC with its wholly owned subsidiaries Great-West, London Life and GWL&A. Lifeco expects the restructuring to be substantially completed by the end of 2004. Costs of \$450 million are expected to be incurred as a result and consist primarily of the consolidation of operations and systems, compensation costs and consolidation of facilities. The costs include approximately \$250 million that will be charged against the liability for restructuring costs that was recognized as part of the purchase equation of CLFC and costs of approximately \$200 million that will be charged to income as incurred.

The following details the amount and status of restructuring costs for the period ended September 30, 2003.

(in millions of dollars)	Expected future costs			Amount utilized in the period ended September 30, 2003			Balance September 30, 2003		
	Accrued on acquisition	Expense as incurred	Total	Accrued on acquisition	Expense as incurred	Total	Accrued on acquisition	Expense as incurred	Total
Costs of eliminating duplicate systems	10	25	35	1	4	5	9	21	30
Costs of consolidating operations	15	155	170	1	12	13	14	143	157
Compensation costs	192	20	212	41	5	46	151	15	166
Costs of consolidating facilities	33	-	33	-	-	-	33	-	33
	<u>250</u>	<u>200</u>	<u>450</u>	<u>43</u>	<u>21</u>	<u>64</u>	<u>207</u>	<u>179</u>	<u>386</u>

**Note 10. Reinsurance transactions**

During the third quarter, Great-West, London Life, and GWL&A (subsidiaries of Lifeco) reinsured certain blocks of individual non-participating life insurance on a yearly renewable term reinsurance basis and group life, long term disability and group annuity business, on a coinsurance/funds withheld basis. The ceded premiums of \$5,429 million associated with the transaction have been recorded on the consolidated statement of earnings as a reduction to premium income with a corresponding reduction to the change in actuarial liabilities and provision for claims. For the consolidated balance sheet, this transaction resulted in a reduction in policyholder liabilities of \$4,735 million and an increase in funds held under reinsurance contracts of the same amount.

# POWER CORPORATION OF CANADA

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## DIVIDEND NOTICE

NOTICE IS HEREBY GIVEN that the Board of Directors of Power Corporation of Canada has declared the following dividends:

- (1) A dividend (No. 72) on the outstanding Cumulative Redeemable First Preferred Shares, 1986 Series (POW.PR.F), for the quarter ending January 15, 2004, payable January 15, 2004 to shareholders of record at the close of business on December 23, 2003, in an amount per share to be determined in accordance with the Articles of Continuance of the Corporation;
- (2) A dividend (No. 18) of 35 cents per share on the First Preferred Shares, Series A (POW.PR.A) of the Corporation, for the quarter ending January 15, 2004, payable January 15, 2004 to shareholders of record at the close of business on December 23, 2003;
- (3) A dividend (No. 9) of 33.4375 cents per share on the First Preferred Shares, Series B (POW.PR.B) of the Corporation, for the quarter ending January 15, 2004, payable January 15, 2004 to shareholders of record at the close of business on December 23, 2003;
- (4) A dividend (No. 5) of 36.25 cents per share on the First Preferred Shares, Series C (POW.PR.C) of the Corporation, for the quarter ending January 15, 2004, payable January 15, 2004 to shareholders of record at the close of business on December 23, 2003;
- (5) A dividend (No. 301) of 24.375 cents per share on the outstanding Participating Preferred Shares (POW.PR.E) of the Corporation, for the quarter ending December 31, 2003, payable December 31, 2003 to shareholders of record at the close of business on December 10, 2003;

.../2

- (6) A dividend (No. 243) of 24.375 cents per share on the outstanding Subordinate Voting Shares (POW) of the Corporation, for the quarter ending December 31, 2003, payable December 31, 2003 to shareholders of record at the close of business on December 10, 2003.

BY ORDER OF THE BOARD

Edward Johnson  
Vice-President, General Counsel  
and Secretary

Winnipeg, Manitoba  
November 26, 2003